

# Background Paper:

## Cleaner Production in Developing Countries and in Countries in Transition

### Switzerland's Cleaner Production Program

#### What are Cleaner Production Centres?

Cleaner Production Centres (CPCs) provide consultancy services for small and medium-sized enterprises (SMEs) in developing and countries in transition in all matters relating to eco-efficiency. The core objectives are to assist the industrial sectors to produce in a sustainable manner, thus improving their competitive position. Cleaner Production (CP) is thereby an approach, which reduces environmental pollution with positive financial benefits for the enterprise.

As so-called one-stop shops, the CPCs offer, in return for a payment to defray costs and expenses, an array of services including information dissemination, training, policy dialogue and consulting at the enterprise level. The business areas involved vary from centre to centre but include CP, environmentally sound technologies (ESTs) matched with technology transfer, LCA (Life-Cycle Assessments), Eco-labelling, global environmental conventions, social standards and labels, EMS (Environmental Management Systems) including ISO 14 001 and financial services.

CPCs work in close cooperation with the private sector and, where appropriate, with government offices in developing and countries in transition. Each centre has a technical partner in Switzerland. This so-called reference centre supports the CPCs throughout the development phase with Know-how in the above-mentioned fields.

#### Swiss involvement

The background of Switzerland's involvement in Cleaner Production is the Rio Conference on Development and Environment 1992. Equal to other international environmental conventions the Rio Declaration called for a vigorous transfer of environmentally sound technologies and for effective technology transfer mechanisms. In response to this demand the State Secretariat for Economic Affairs (seco) decided to develop a coherent instrument to promote technology transfer working through Cleaner Production Centres (CPCs) or environmental technology centres.

In the 10 years since Rio, seco has supported, with other donors or in cooperation with the United Nations Organization for Industrial Development (UNIDO) the establishment of 13 such centres:

Country	Current funding period from/to	Total funding from seco (US\$)	Executing agency for seco
Brazil	2001-2006	1 800 000	FHBB <sup>1</sup>
China	2002-2007	2 900 000	UNIDO and Carbotech AG

<sup>1</sup> Basel Institute of Technology and Management

Colombia <sup>2</sup>	1997-2002	3 300 000	EMPA <sup>3</sup>
Costa Rica	1998-2005	1 800 000	UNIDO
El Salvador	1998-2005	1 800 000	UNIDO
Guatemala	1999-2005	1 800 000	UNIDO
India	2002-2007	2 900 000	UNIDO and Basler&Hofmann
Morocco	2000-2005	1 300 000	UNIDO
Peru <sup>4</sup>	2001-2006	1 300 000	EMPA
South Africa	2002-2005	900 000	UNIDO
Viet Nam	1998-2003	2 600 000	UNIDO
Cambodia	2003-2007	950 000	UNIDO
Laos	2003-2007	950 000	UNIDO

The Centre's design has evolved over time shifting the focus from traditional "pure" CP centres focusing on awareness raising, training, information and "good housekeeping" measures towards centres with a stronger focus on transfer of environmentally sound technologies (ESTs) combined with financial services. Latter is being supported with a new instrument denominated "green credit trust fund". Centres with a strong stance in ESTs have a sectoral orientation and also try to establish links to finance mechanisms of international environmental conventions, specifically the Kyoto Protocol and the Stockholm Convention on Persistent Organic Pollutants.

### Accomplishments of Cleaner Production Projects

The results of an external evaluation of several centres clearly show the huge potential of cleaner production in the sustainable development of developing and countries in transition. The most important of these results can be summed up as follows:

- The CPCs are recognized as *the* main contacts in the country for questions regarding the improvement of eco-efficiency.
- They take an active part in policy dialogue and are closely involved in the development of environmental legislation in the industrial sector. Vietnam's official environment strategy includes cleaner production as one of its main instruments.
- CPC services are demand-oriented and generate income. In Colombia, customer revenue covers around 40% of expenditures.
- With the support of the Swiss reference centres, local capacities can be developed and Know-how can be passed on to interested circles through "train the trainers" programs.
- Clients with demand are not necessarily such with extreme pollution problems but companies under pressure to improve their environmental record (either by regulators, clients, the media or neighbourhood groups), export oriented companies or such in demanding supply chains.
- Clients willing to implement technology changes and significant improvements tend to be medium sized or even large enterprises while the majority of small companies lack the willingness to embrace such programs.
- Finally, the work of the CPCs has had an effect on the bottom line. In Vietnam 15 companies were able to report annual cost reductions of more than USD 1.2 million or around USD 17,000 per company. In Colombia savings amount to around USD 2 million a year.

<sup>2</sup> New project-phase starting 2003

<sup>3</sup> Swiss Federal Laboratories for Materials Testing and Research

<sup>4</sup> Joint program with US AID; equal funding amount from US AID

## **Future Strategic Orientation: Shift towards Sustainable Industrial Production**

Based upon the lessons learnt with promoting CPCs the attention has shifted gradually towards the promotion of Sustainable Industrial Production Centres.

The background of this shift is that sustainable industrial production modes shall be fostered in a comprehensive manner, including also social services such as SA 8000, thus improving the long-term competitive position of enterprises, their balance sheet, their social impact as well as their environmental performance. A concentration on pure CP on the other hand has not proven to be commercially viable, nor in the interest of clients and is thus not considered as a strategy with a large dissemination potential.

The core business philosophy is to offer the client a more comprehensive approach towards achieving sustainable industrial production including CP, EST, financial instruments including access to the potential of global environmental conventions and the inclusion of social accountability services. A comprehensive service package to improve the competitive long-term position of an enterprise is thus offered to clients, which can of course still cherry-pick specific services. Also the CPC can position itself as the platform for concrete implementation of local as well as global environmental agreements at industry level, offering techniques, know-how, information, training and consulting to effectively implement technology transfer. Such a positioning defines the Unique Selling Proposition of the centre and enables it also to attract subsidiary finance from national or international organizations, thus allowing for a role as facilitator and disseminator of know-how and experience.

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